

**Subcommittee on the Western Hemisphere
Committee on International Relations**

**Oversight Hearing
“Western Hemisphere Energy Security”
Opening Statement by Chairman Dan Burton
Date: March 2, 2006**

Today we are convening a hearing on Energy Security in the Western Hemisphere. Your testimony will help the Subcommittee in making an assessment of hemispheric oil markets, and the ongoing development of energy resources in North America, the Andean and Caribbean regions. By the time we are finished today, I hope the Subcommittee will have a better understanding of the energy investment climate in these regions, and the risks in hemispheric energy markets linked to political trends, the politicization of these strategic commodities, and potential production and supply disruptions.

We undertake this oversight hearing with a keen eye towards our broader foreign policy goals of strengthening stability in the Americas through growth and development, and strong support of furthering democratization.

I first want to welcome our distinguished new Ranking Member, Congressman Eliot Engel of New York. Congressman Engel represents the 17th District which includes the Bronx, Westchester and Rockland Counties. He is a member of the Human Rights Caucus, serves as Vice Chair of the House Democratic Task Force on Homeland Security and the Democratic Task Force on Health. We look forward to working with you and your staff on Western Hemisphere Affairs.

I believe that energy and ideas are two primary drivers of growth and development. When free market forces drive the exchange of both of these commodities, nations stand a better chance of enjoying equitable distribution of the fruits of economic growth. When energy markets are free of corruption and promote open, responsible, and environmentally-safe investment, nations stand a better chance of governing these resources and the revenue that is generated for the benefit of their people. Conversely, when rigid, artificial mechanisms are put in place, development of energy resources is often stifled, or these resources are exploited, squandered and enjoyed by only a select few.

This is a subject we have been focusing on for many months, with high oil and gas prices costing consumers more than ever. Obviously, Hurricane Katrina focused our attention like a laser beam to the very real threat of disruptions in our own domestic energy supply.

Almost 40% of the energy we consume in the U.S. is supplied by petroleum, and our appetite has nearly tripled in the last half century. In his most recent State of the Union address, President Bush, like many of his predecessors, rightly pointed to the need to reduce our dependence on foreign oil from volatile suppliers in the Middle East.

Just last week, Saudi Arabian security forces thwarted a terrorist attack against the Abqaiq facility, which processes two-thirds of the country's output. The threat of supply disruptions saw crude oil futures spike more than \$2.30 to almost \$63 per barrel. Militants in Nigeria and protestors in Ecuador have disrupted output in those countries, and insurgents in Iraq have interrupted production there.

Political instability and security threats in the countries that supply our energy needs, along with greater competition for fossil fuels, is driving costs ever higher. Clearly, part of our strategy must be to conserve and diversify our sources of energy. We cannot afford to delay research and investment in alternative fuels. Equally important is to work with the major, stable partners we have – like Mexico and Canada – to improve technologies and to develop infrastructure and expand investment. We can and we must do more to encourage multilateral initiatives that foster greater integration and development of regional energy sectors.

I have personally raised this with Inter-American Development Bank President Moreno, and was briefed on his plans to finance both public and private sectors to generate electricity and transport and distribute electricity and natural gas. Last year alone the IDB approved more than \$1 billion dollars in lending to energy projects/investments in Latin America and the Caribbean.

The newly-elected president of Bolivia, Evo Morales, will be making decisions about the hydrocarbons industry in that country that will have deep social and economic long-term implications. Expectations are high, particularly from Mr. Morales' supporters in the indigenous communities that have been marginalized historically. Despite conflicting signals to foreign investors, President Morales has pledged to renegotiate with foreign oil companies in order to develop Bolivia's natural gas reserves. The people of Bolivia will benefit from increased development of natural gas, and the economic growth that will come from expansion beyond traditional markets like Argentina and Brazil. Fresh investment however, remains on the sidelines, as political uncertainties and risks appear high.

Similarly, political instability and legal uncertainties in Ecuador have resulted in prolonged investment disputes for U.S. companies and a 50% drop in oil production. Strikes, protests and sabotage of oil pipelines in that country have further exacerbated problems there.

Venezuela has been a dependable supplier of oil to the United States, and up until recently, bilateral relations have been good. As this Subcommittee knows, I have tried to temper public remarks about Venezuela in the last twelve months, and I want to make it very clear that I wish to continue pursuing DIALOGUE with Caracas. Nevertheless, in recent weeks I have become increasingly convinced that the government of Venezuela is seeking to destabilize the region and dismantle the institutions of democracy within its borders and beyond them. Equally

worrisome, in recent weeks President Hugo Chavez and Communist Dictator Fidel Castro of Cuba, along with other Latin American leaders, have begun reaching out to known Islamic terrorist organizations, such as Hamas, and cozying-up to renowned terrorist-sponsoring nations like Iran and North Korea. Any alliance between terrorist-sponsoring nations and leftist leaders in Latin America will be viewed as a serious and direct threat to the national security of the United States and our friends in the Hemisphere. When they cooperate with terrorist organizations such as Hamas, or cooperate with renowned terrorist-sponsoring nations like Iran or North Korea, President Chavez and the Cuban dictator are putting themselves and others at risk, and several world bodies will not long tolerate it.

The Venezuelans can sell their oil anywhere they like. Venezuela is a sovereign state. They can sell it at deep discounts, or finance consumption of their oil. Some observers point to the obvious with arrangements like Petro-Caribe; these artificial mechanisms will further indebtedness in some of the poorest countries in our hemisphere, not to mention, over-reliance on a single energy source. I believe it also bears mentioning in this hearing that huge oil revenues have not resulted in a reduction of poverty rates under Mr. Chavez' version of democracy in Venezuela.

I will ask our witnesses today to address these and other concerns I have in the hemisphere.

President Bush has laid out a roadmap for cooperation to consolidate democracy in the Western Hemisphere, and to use trade as a catalyst for positive growth in the region to create conditions which will alleviate poverty and strengthen democratic institutions. A cohesive energy security framework will provide the economic underpinnings for the growth and stability that most of the governments in the region are pursuing. Twenty-nine of the 34 Western Hemisphere nations that met down in Argentina late last year are in favor of moving forward on free trade negotiations. Cooperation in the area of energy development, investment and integration must be a top priority of policy makers.

I now recognize the distinguished ranking member from New York, Eliot Engel, for any statement he may wish to make.